

SENATE BILL REPORT

HB 2357

As Reported By Senate Committee On:
Ways & Means, April 2, 2007

Title: An act relating to school districts' use of state forest revenues.

Brief Description: Allowing a school district to transfer certain revenue into the district's capital projects account.

Sponsors: Representatives McIntire and Fromhold.

Brief History: Passed House: 3/14/07, 96-0.

Committee Activity: Ways & Means: 3/30/07, 4/02/07 [DPA].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Fairley, Hatfield, Hobbs, Honeyford, Keiser, Kohl-Welles, Oemig, Parlette, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Tom.

Staff: Bryon Moore (786-7726)

Background: School districts are required to establish several funds, including a general fund, a debt service fund, and a capitol projects fund. Districts may use each fund for particular purposes, subject to statutory restrictions. A school district may issue general obligation bonds that are payable from the district's tax revenues and from other monies lawfully available and pledged for that purpose. Proceeds from a district's bond levies must be deposited in the district's debt service fund.

The state holds certain forest lands in trust for counties. Net revenues from these state forest lands are distributed to counties in the same manner as general taxes are paid and prorated during the year of payment. As junior taxing districts, school districts thus receive a portion of state forest land revenue distributions. The distribution of state forest lands revenue that a school district receives depends on the types of tax levies that the school district has passed. For example, if the district has passed a capital levy for construction or remodeling, a portion of the state forest lands revenue is deposited in the district's capital projects fund, where capital levy proceeds are deposited. If the district has passed a bond levy, a portion of the state forest lands revenue is deposited in the district's debt service fund, where district revenues dedicated to debt service on bond levies are deposited.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

A 1998 informal opinion of the Attorney General's office advises that school districts do not have statutory authority to transfer state forest lands revenue distributed to their debt service funds into their capital project funds. This is because the statute that distributes the forest land revenues to junior taxing districts operates as a dedication of that revenue to the respective local funds that receive tax revenues. For this reason, school districts may not spend distributions of state forest land revenues directly from their debt service funds for capitol purposes.

Summary of Bill: School districts are authorized to transfer distributions of state forest land revenues from their debt service funds to their capital project funds, so long as those revenues have not been pledged for debt service on school district bonds.

EFFECT OF CHANGES MADE BY RECOMMENDED AMENDMENT(S) AS PASSED COMMITTEE (Ways & Means): Language is added that clarifies that revenues generated from state forests may be transferred to the capital fund "to the extent not necessary" for debt repayment.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: This bill will provide needed flexibility for school districts and resolve any potential legal issues that have been identified. A technical amendment is needed to allow other school districts to benefit from what is intended in the legislation.

Persons Testifying: PRO: Alice Ostdiek, Foster Pepper.